

App. F. IX-4

Previous References

1929-30
(Sanitary)

File No. 21-28

Serial Nos. 16, 27, 28
431,

Later References

L. N. 18-29 (1-4)

✓ *referred*

General and Revenue Secretariat.

Serial Nos. 4

P-21
E

Part B for January 1930

SUBJECT

*Sanctioning the scheme of Land
Mortgage Banks*

Sl. No.

No. G. 8377 of 18.1.30

*To The Registrar Cooperative Societies
in Mysore*

*States that the amount is to be invested
in the purchase of debentures.*

File 25/1

Mr

Serial
No.

No 6785 of 22/5/29 from the Rep^r on
Enquires whether the ~~debt~~ debentures will
be free from income tax, whether the
promised Govt investment will be
in the form of debentures & whether Govt
guarantee interest on the debentures or
guarantee the principal also.

Subd the same questions have been
referred to in the Rep^r to Govt letter of 18/5/29
which has now been submitted to the
Member for Council -

1/ The question of exempting debentures from
income tax is for consideration in the F.
Secy.

3/ Re Govt investment of 5 lakhs - This
has been suggested to be in ~~the~~ form
of debentures.

4/ Re Govt Guarantee. The guarantee
is proposed to be extended only to interest
on debentures.

5/ Orders on the letter referred to with ~~dispo~~
~~approval to be awaited~~ - No orders on
this reference - No separate action
on this letter is therefore necessary

30/5 Secy

34/1

6/ 26/6/29
Cev
26/6

7/ This may be sent to the fin Branch for
where the previous papers are worked up

Serial
No.

Subd. The question of font guaranteeing principal & interest, has been ordered to be taken up for consideration after the Board of Directors is formed.

The other point raised viz, the form of investment of stocks promised by font, may also be taken up, if approved.

13/7/29

15.7.29

27 From the Dy Registrar Cooperative D.O. No. 29 of 15.7.29 (Peeche's States that font permitted the Zambesi Town Municipal Council to raise a loan & guarantee the repayment of the loan & the payment of interest & forwards a copy of the fo.

28 From the Registrar of Co-ops. No 488 of 19.7.1929 Forwards a copy of the fo. refd to above & states that it would be necessary for font to guarantee principal & interest on the debenture to be floated by the Bank.

10) Subd with the original file leading to the fo. refd to by the Dy Registrar of Co-ops. The question of guaranteeing principal & interest has been ordered to be

Kindred file

Brought from
Dy Registrar
for being worked
up with D.O. 571

23/7/29

Flag B

13

2nd RL

8362
✓ 368
✓ 578

General and Revenue
Secretariat

App. F. III-2] 3

File No. San 21 of 1928

Stage

Serial
No.

taken up for consideration after
the Board of Directors is formed. The
form of ~~debt~~ investment of the
sum of Rs 5 lakhs by Govt may also
be taken up at the same time, if
approved.

10/4/29 Secy

24.7.29

anl) 24/7/29

12) Subd for information. The question
maybe taken up after the Bd of Dir's
has been formed.

12/98
3/17

3rd Member)

27
31 7 29
24/7

13) 11/8/29

27
20 9
2/8

(indefinite)
10/8/29
30
10/8/29
3/8/29

From the Registrar of co-op societies
no. 1028 of 8/3.8.1929

Forwards a prospectus of the Marathi
Chamrajwadi Ry. & Adventure Loan &
states that the repayment of the loan
and payment of interest on loan & is
on debentures are guaranteed by Govt

4) Subd. The formation of the Board of Directors

24/7

1302-

General and Revenue
Secretariat

San

File No.

of 1928

Serial
No.

will be awaited, if appd. before now.

12 + 13 above

16/11/29

17/8/29 Secy

Cen
19.8.29

21/8

157 22/8/29
Cen
22/8

Secy

Jan

23/8/29

16/1

Subd. The point for orders in this file is about the form of instrument of the sum of Rs. 5 lakhs. Orders have already issued about the formation of Board of Directors & for procuring material & interest on debentures

18/11/29

23/12/29

17/ The amount is to be invested in the purchase of debentures

Secy

6/1

181 27/1/30
Cen
27/1

14/ Draft submitted

18/11/29

11/11/30

20) app. for approval

Secy

20 Member

6676
13/1

11/1

27/1/30

13/1/30

14.1.30

Cen
13/1

15/1/30

Cen
15/1

502 144

22577

App. F. III-2]

General and Revenue
Secretariat

File No. 21

of 1928

Serial
No.
31

50

Gen Registrar & Cooperative Societies

No. 8377

18.1.30

States that the amount
is to be invested in the purchase of
debentures

50

Gen Comptroller & Govt

No. 8378

18.1.30

also a copy of the above

B.K.P.

1/10/30

22.1.30

No. 67854
Sme one

Telegraphic Address:
"CO-OPERT"
BANGALORE

DEPARTMENT OF CO-OPERATION.

GOVERNMENT OF MYSORE.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

Dated, Bangalore, 22 May 1929.

Sam 21-28-16

K. H. RAMAYYA, ESQ., B.A., BAR-AT-LAW,
REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,
BANGALORE.

29 MAY 1929

DEVELOPMENT BRANCH

C.D. 147-28-2

N. Rama Rao, Esq., B.A., B.L.,
Secretary to Government of Mysore,
Development Departments, Bangalore.

Adverting to Government Order No.G.11438-44/Sany.30-26-7 dated 10th April 1928 sanctioning the scheme of Land Mortgage Banks, I have the honour to state as follows:-

1) Government have undertaken to guarantee interest on all the debentures that may be issued by the Bank at a rate not exceeding 5 per cent per annum, but it has not been stipulated that these debentures will be free of income tax. To make the debentures attractive to the investing public, I think it very necessary to direct that the debentures floated by the Bank will be free from liability to income tax. Government have already in their Notification No.3307/E.C.42-20-3 dated 30th September 1920 remitted the income tax payable in respect of the profits of Co-operative Societies or of the dividends or other payments received by members of any society on account of profits. This concession may be extended to the interest on the debentures floated by the Land Mortgage Bank.

2) Government have also expressed their willingness to invest a sum of 5 lakhs of rupees in the Bank. The form which this investment is to take has not been made clear. It may be stipulated that the Government investment in the Bank will be in the form of debentures.

3) The Deputy Registrar of Co-operative Societies is of opinion that Government should guarantee not only the interest on the debentures but also the principal. A copy of his letter on the subject is, herewith, sent for the information of Government. But personally I feel that this would be asking Government too much. Even the Royal Commission on Agriculture in India have not recommended

P.T.O.

2.

recommended such a guarantee of principal also.

I have the honour to be
Sir,
Your most obedient servant,

20/5.

JH Ramayya
Registrar.
Pm
e

Dated 15-5-29

Letter No.18/28-29 from the Deputy Registrar of Co-operative Societies in Mysore, to the Registrar of Co-operative Societies in Mysore, Bangalore.

Land Mortgage Bank - Issue of Debentures - Government
guarantee of principal amount.

I have the honour to state that in their order No.G.11438-44/Sany.30-26-7 dated the 10th April 1928 sanctioning the establishment of a Land Mortgage Bank, Government have agreed to guarantee the payment of interest on the total debentures that the Bank might find it necessary to issue, at the rate of 5 per cent per annum. Some of the Banks and business men that were consulted about the terms on which the Bank might successfully float debentures are of the opinion that in order to make them attractive it is necessary to stipulate that Government will guarantee the principal in addition to the interest on the debentures. It is to be admitted that Government have now gone as far as they can by guaranteeing payment of annual interest on these bonds as also by offering to invest up to Rs.5 lakhs in the Bank. If, in addition to these, Government are pleased to exempt the debenture bonds from income-tax liability, about which I have made a separate reference, it will be another attractive feature about these bonds. It is just possible, however, that the investing public, more particularly inside the State, who are not familiar with schemes for the raising of funds by means of debentures, will be chary to invest their money in debentures unless such debentures are backed up by an assurance that Government stand guarantors for the repayment of the principal also. The fact that an established banking institution like the Mysore Bank should insist upon such a guarantee lends support to the view I have referred to above. Both in the Co-operative Societies Amendment Regulation and in the Bylaws of the Bank the duty is cast upon the Bank of forming a Sinking Fund for the repayment of the debentures. In this circumstance, it may not be considered necessary that Government should also guarantee repayment of the principal. But such a guarantee which, after all, may not involve Government in any risk would make the debentures more attractive when compared with similar debentures that might be issued by Land Mortgage Banks in other parts of India, for instance Madras Presidency, where it is

9

2.

is not likely that the Provincial Governments will guarantee debentures to the same extent as the Mysore Government. Should there be any competition in the outside money markets between the debentures floated by the Mysore Land Mortgage Bank and other similar Banks outside Mysore, the fact that Mysore Government guarantee both the principal and interest on the bonds issued by the local institution is sure to weigh greatly in favour of Mysore bonds.

I, therefore, request you to be so good as to place this aspect of the question before the Government for their consideration.

" Copy "

N. H. Ramappa
R e g i s t r a r .

For
✓

9191 (45)

6

DEPARTMENT OF CO-OPERATION.

Telegraphic Address :
"CO-OPERT"
BANGALORE

Office of the Deputy Registrar of Co-operative Societies
in Mysore.

D. O. No. 29
Encl 2

Dated, Bangalore,.....15th July.....1929

GENERAL MISCELLANEOUS
No 368
16 JULY 1929

My dear Sir,

San 21-28-27

secret
Some time ago you said you would like to know if the Government had guaranteed the repayment of the principal in the case of loans raised by any of the Local Bodies. I am taking the liberty of enclosing you a copy of the Government Order permitting the Tumkur Town Municipal Council to raise a loan for their water supply scheme. In this case Government have guaranteed the repayment of the loan as well as the payment of interest. Mr. O'Brien told me that the Mysore Bank underwrote practically the whole amount of the loan. This will perhaps indicate the desirability of Government guaranteeing the repayment of the principal in the case of the debentures to be issued by the Land Mortgage Bank. I think it is only then that the Banks will be able to help us by underwriting the bonds and - rendering them easily marketable.

Yours sincerely,

Monarchendou

Rajamantrapravina

K. MATTHAN, ESQ., B.A.

Member of Council.

9

G.O. No. L.1566-7/Ml. 152-23-2 dated the 22nd August 1924.

Read:-

Para 5 of the G.O. No.L.8577-81/Ml.86-22-7 dated the 24th April 1924 requesting the Deputy Commissioner, Tumkur to obtain from the Municipal Council, Tumkur Town, a draft prospectus for the floatation of the loan for the supply of water to the town and submit the scheme for the approval of Government.

2. Letter No. Mlc. 111 dated the 12th June 1924 from the Deputy Commissioner, Tumkur, submitting the draft prospectus for the floatation of the loan referred to above.

ORDER NO. L.1566-7.

Government are pleased to approve of the prospectus for the floatation of the loan as appended to this order.

It is observed that the Municipality wants to restrict the loan to the town and district of Tumkur. It seems to Government that the loan may not be successful if it is so confined and that it will be better to throw it open to the whole State. Action proposed to be taken in the matter may be intimated to Government.

Sd. T.K. Somesvara Iyer,
for L. & L. Secretary to Govt.

Copy

To

The Deputy Commissioner, Tumkur District,
" Comptroller to Government.

PTO

12

Tumkur District.

Prospectus of the Tumkur Town Water Supply Debenture Loan of 1924 as approved by Government in their order No. L.1566-7/Ml. 152-23-2 dated the 22nd August 1924.

1. The Scheme for the supply of water from the Mydala Tank, to the Tumkur Town has been sanctioned by Government in their order No. L.8577-8/Ml. 86-22-7 dated the 24th April 1924 at an estimated cost of Rs. -- Rs.4,72,000 subject to the scrutiny of the project and estimate by an expert to be appointed by Government.

2. The Tumkur Town Municipality have to finance half the cost of the scheme viz; Rs.2,36,000 and they are in need of a sum of Rs.1,30,000 which they want to raise by a Debenture Loan at 6 percent per annum (within the town and District of Tumkur). This prospectus has been approved by the Government in their order No. L.1566-7/Ml. 152-23-2 dated the 22nd August 1924 and is accordingly issued for raising the said Debenture Loan.

3. The Debenture will be issued under the following conditions:-

(i) The debenture bonds will be of four kinds, viz., for Rs.12 $\frac{1}{2}$, Rs.25, Rs.50 and Rs.100 each and their total value will be Rs.1,30,000.

(ii) The loan will bear interest at 6 per cent per annum which will be payable half-yearly on 31st December and 30th June with effect from the date of payment of money into the Government Treasury and the interest will be liable to income-tax.

(iii) The loan will be repayable at par after the lapse of 15 years from the date of payment into the Treasury.

(iv) The repayment of the loan and payment of the interest are both guaranteed by Government.

(v)

The Tumkur Town Municipality reserve to themselves the option to redeem the loan or any portion of it, at the expiry of the 5th year from 1st July 1925 after previous notice of six months, to the debenture holders by publication in the Mysore Gazette. The debentures to be thus discharged may be selected by lot or otherwise as the Government or the Municipal Council may deem fit, and if the present loan is to be discharged by raising another at a lower interest the debenture holders will be given the option to take shares in the new loan.

4. Intending subscribers to the loan may pay the amount of the bond, ~~if~~ they want to subscribe for, in cash, at the Mysore Bank or the Treasury or the Tumkur Town Municipal Office with application in the form prescribed below and obtain a receipt for payment made.

President,
Tumkur Town Municipal Council.

Government Order No.L.1566-7/Ml.152-23-2 dated the 22nd August 1924.

Read --

Para 5 of the G.O.No.L.8577-81/Ml.86-22-7 dated the 24th April 1924 requesting the Deputy Commissioner, Tumkur, to obtain from the Municipal Council, Tumkur Town, a draft prospectus for the floatation of the loan for the supply of water to the town and submit the scheme for the approval of Government.

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Sd.- T.K.Someswara Iyer,
For L & L.Secretary to Government.

TUMKUR DISTRICT.

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2. The Tumkur Town Municipality have to finance the cost of the scheme viz., Rs.2,36,000 and they are in need of a sum of Rs.1,30,000 which they want to raise by a Debenture Loan at 6 per cent per annum (within the town and District^{of}/Tumkur). This prospectus has been

been approved by the Government in their Order No.L.1566-7/Ml.152-23-2 dated the 22nd August 1924 and is accordingly issued for raising the said Debenture Loan.

3. The Debenture will be issued under the following conditions:

- (i) The debenture bonds will be of four kinds, viz., for Rs.12½, Rs.25, Rs.50 and Rs.100 each and their total value will be Rs.1,30,000.
- (ii) The loan will bear interest at 6 per cent per annum which will be payable half-yearly on 31st December and 30th June with effect from the date of payment of money into the Government Treasury and the interest will be liable to income-tax.
- (iii) The loan will be repayable at par after the lapse of 15 years from the date of payment into the Treasury.
- (iv) The repayment of the loan and payment of the interest are both guaranteed by Government.
- (v) The Tumkur Town Municipality reserve to themselves the option to redeem the loan or any portion of it, at the expiry of the 5th year from 1st July 1925 after previous notice of six months, to the debenture holders by publication in the Mysore Gazette. The debentures to be thus discharged may be selected by lot or otherwise as the Government or the Municipal Council may deem fit, and if the present loan is to be discharged by raising another at a lower interest the debenture holders will be given the option to take shares in the new loan.

4. Intending subscribers to the loan may pay the amount of the bond, they want to subscribe for, in cash at the Mysore Bank or the Treasury or the Tumkur Town Municipal Office with application in the form prescribed below and obtain a receipt for payment made.

" Copies "

KH Ramappa
R e g i s t r a r .

Pm

578

No. 10 28 ^{es}

Telegraphic Address:
"CO-OPERT"
BANGALORE

FROM

K. H. RAMAYYA, Esq., B.A., BAR-AT-LAW,

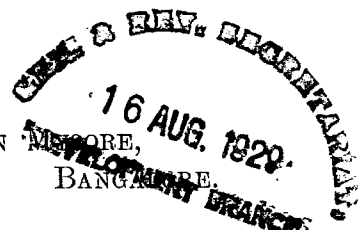
REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,

DEPARTMENT OF CO-OPERATION.

GOVERNMENT OF MYSORE.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

Dated, Bangalore. 13 ⁸/₈ August 1929.



To

N. Rama Rao, Esq., B.A., B.L.,

Secretary to Government of Mysore,

Development Departments, Bangalore.

Sir,

Saw. 21-28-30.

C
In continuation of this office letter No. 488 dated 19-7-29 in the matter of guaranteeing both the repayment of the principal and the interest of the Debentures of the proposed Land Mortgaged Bank, I have the honour to forward herewith, a copy of the prospectus of the Nanjangud Chamarajnagar Railway Debenture loan and to invite kind reference to para 3 (iii) in which it is stated that the repayment of the loan of 12 lakhs of rupees and the payment of interest at 7 per cent are both guaranteed by Government, and to para 7 wherein it is stated that a discount of 1 per cent will be allowed on the debentures.

I have the honour to be,

Sir,

Your most obedient servant,

K. H. Ramayya

Registrar.

10/8.

17/8/29

17

PROSPECTUS OF THE DISTRICT BOARD RAILWAY DEBENTURE LOAN OF 1924.

as approved by Government in their Order No. L.382-5-L.B.129-22-15, dated the 18th-22nd July 1924, and L.4059-60-L.B.129-22-23, dated the 2nd December 1924.

1. The construction of the Nanjangud-Chamarajanagar Section of the Nanjangud-Erode Metre-gauge line as a Light Feeder Railway (Metre-gauge) has been sanctioned in Government Proceedings No. L.6971-4-L.B. 129-22-2, dated the 9th April 1923. The detailed estimates of the project are under preparation in the Railway Department.

2. The capital cost of this Section of the Railway is now roughly estimated at Rupees Twelve Lakhs. The District Board have resolved to find the cost by raising a Debenture Loan. The proposal of the District Board to finance the scheme has been approved by the Government and this Prospectus is accordingly issued for raising a Debenture Loan of Rupees Eight Lakhs, as sanctioned in G.O. No. L.4998-500-L.B.129-22-13, dated the 9th April 1924.

3. The debentures will be issued under the following conditions:-

(i) The Debenture Bonds will be for Rs.25, Rs.100, Rs.500 and Rs.1,000 each. The loan will bear interest at 7 per cent per annum which will be payable on the 31st December and 30th June with effect from the date of payment of the money into the Government Treasury and the interest will be subject to the Assessment of Income-tax.

(ii) The loan will run for a period of 15 years from the date of the opening of the Railway Line and will then be repayable at par.

(iii) The repayment of the loan and payment of interest are both guaranteed by Government.

4. The District Board of Mysore reserve to themselves the option to redeem the loan or any portion of it at the expiry of the 10th year from the date of issue of the loan, after previous notice of six months to the debenture holders by publication in the Mysore Gazette. The debenture to be thus discharged may be selected by lot or otherwise as the Government or the District Board may deem fit; and if the present loan is to be discharged by raising another at a lower rate of interest, the debenture holders of the present loan shall be given the option to take debentures in the new loan.

5. As regards working, recoupment against loss in interest charge division of surplus profit, creation of a Sinking Fund, etc., the principles laid down in G.O. No. Fl.4932-81 -G.F.163-13-1 dated the 22nd April 1914, apply to this Railway Line, the interest on the loan being the first charge on the Railway Cess collected in the District.

6. Debentures to the value of Eight Lakhs of rupees are now available for subscription by the public including such of the Municipalities and Local Boards as may decide to invest in the same and application for debentures in the prescribed form hereto annexed together with the first instalment of not less than 12½% of the amount applied for in the case of debentures of Rs.100 and above and Rs.5 in the case of debentures of the value of Rs.25 may be presented at any Government Treasury in the District. Calls for the balance will be made in instalments of not less than the amount specified above spread over two years, at least two months' notice given before each call. On failure to pay the further calls, the amount previously paid up will be liable to be forfeited to the District Board.

7. A discount of one per cent will be allowed on all debentures paid up in full on or before the 11th February 1925, on account of all debentures subscribed by that date.

Copy.

M. S. S. S.
3.8.24
Deputy Secretary

~~DEPARTMENT OF CO-OPERATION.~~

D.O. No. 138/4 15

Dated, Bangalore,...30th September.....1929.

Encl. 1

My dear Sir,

In connection with the question of Government guaranteeing the debentures to be issued by the Land Mortgage Bank, I am taking the liberty of sending for your kind perusal enclosed extract from the Report of the State Mortgage Bank Committee of Ceylon, in case it has not already come to your notice.

Yours sincerely,

Rajamantrapravina

K. Matthan, Esq., B.A.,

Member of Council.

Subd. for perusal. The of the file about post
guaranteeing the delinquencies issued by the Bank
was subd to the third member in accordance
with the order, on 1.10.29. May the subd be kept intact,
✓ after receipt? Put up with subd file when the
matter comes up for consideration
5/10/29 KE
5/10/29
5/10/29
5/10/29
5/10/29

19

EXTRACT FROM THE REPORT OF THE STATE MORTGAGE BANK COMMITTEE,
CEYLON. (JULY 1929).

We come now to the important question of the position of Government with relation to the Mortgage Bank. There would appear to be three possible positions, viz.:-

(1) That Government should definitely guarantee the principal and interest of debentures which should, in the event of the Bank failing to pay, be definitely constituted by law a charge upon the revenue of the Island.

(2) That Government should definitely disclaim any liability and make this clear to the investing public.

(3) A half way house between (1) and (2), Government being saddled with a somewhat vague moral obligation to stand behind the Bank in the event of its being required and to look after the interests of the investors in debentures.

The first position has the advantage of making debentures a gilt-edged investment and therefore lowering the rate of -- interest at which money can be obtained. The second has the advantage of leaving Government and the revenue of the Island unaffected by a failure of the Bank which is practically a private venture encouraged by Government, but for which Government takes no responsibility. The third has not the advantages of either of the first two while it has the disadvantages of both. While a comparatively high rate of interest has to be paid to the public for money, in the event of failure the Government may find itself morally, and possibly even by some of its actions legally, bound to make good the loss. This is the unfortunate position in which more than one of the Indian Governments has found itself vis a vis the Provincial Co-operative Banks.

We are therefore strongly of opinion that the third position or half-way house must be avoided at all costs.

Either Government must have nothing to do with the Bank or it must definitely guarantee it. Now in the present conditions in Ceylon we are very doubtful if a mortgage Bank such as we contemplate could be started at all if Government took the former position. We therefore recommend that Government should take the latter position in relation to the Bank and definitely guarantee the principal and interest of debentures.

M. H. S.
30.9.29.
Deputy Registrar.

SUBJECT.....

2
L M

1571

Diary No. of letter replied to..... 2277

Section Law

File No. 21-28

Serial No. 31

No. 98377

General and Revenue Secretariat

()
the 192

To The Rep. Coops.

Date of issue..... 18.1.30

Lu

Signed by..... Mr. G. E. N.

With refer to para 39
your letter no 6785 of
22.5.1929 about
the form of the inven-
ment of ^{the sum of Rs.} ~~debt~~ State
promised by you, I am
directed to state that
the amount to be
incurred in the purchase
of debentures

List of enclosures.....

Copied by.....

ku

Examined by.....

I have ok

NT 13/3

11.1.30

for order of Govt

98378

Copy of the above is
forwarded

forwarded with sample
 to the Comptroller to be
 for information

184 11/1/30

11/1/30

order of 1000

11/1/30